



AUDIT SUMMARY

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INTEGRITY ♦ RELIABILITY ♦ INDEPENDENCE ♦ ACCOUNTABILITY

JUNE 2005

EMPLOYEES' RETIREMENT SYSTEM

FISCAL YEAR ENDED JUNE 30, 2004

We completed an audit of the Employees' Retirement System of Rhode Island (the "System") for the fiscal year ended June 30, 2004. Benefits are provided under the following plans which comprise the System:

- ❑ Employees' Retirement System (ERS) - provides pension benefits to state employees as well as teachers and other employees of local school districts;
- ❑ Municipal Employees' Retirement System (MERS) - provides pension benefits to employees of participating municipalities, housing authorities, water and sewer districts, and municipal police and firemen;
- ❑ State Police Retirement Benefits Trust (SPRBT) - provides pension benefits to state police and superintendents hired after July 1, 1987; and
- ❑ Judicial Retirement Benefits Trust (JRBT) - provides pension benefits to judges appointed after December 31, 1989.

Each plan's assets may be used only for the payment of benefits to members of that plan.

We concluded that the System's financial statements present fairly, in all material respects, the fiduciary net assets of the plans within the System as of June 30, 2004 and the changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

We reported matters involving the System's internal control over financial reporting that we considered to be material weaknesses. We made the following recommendations to address the control weaknesses noted:

- Prepare timely bank reconciliations.
- Refine the accounting system to meet the System's financial reporting needs.
- Adopt a standard closing process and schedule for financial reporting.
- Ensure resources are adequate to allow accounting functions to be performed timely and implement effective oversight of the accounting and financial reporting functions.
- Implement reconciliation controls over the general ledger accounting systems.
- Improve controls over data entry to ensure correct posting of data to employer accounts.

We also made other recommendations to enhance the monitoring of investment compliance, improve the accumulation of investment information needed to prepare financial statements, perform a risk analysis

of the System's computer systems, and develop information systems security policies and procedures.

We did not find any material instances of noncompliance with laws, regulations and contracts that we are required to report under *Government Auditing Standards*.

At June 30, 2004, the combined net assets of the plans was approximately \$6.3 billion (fair value). Net investment income, including net appreciation in the fair value of the plans' investments during the year, was \$1 billion.

Benefits paid to retirees and beneficiaries under the plans totaled \$520 million while contributions to all plans by both employers and members totaled \$342 million.

The financial statements include required supplementary information that provides the progress made, by plan, in accumulating sufficient assets to pay benefits when due and the contributions made by employers.

Copies of this report can be obtained by calling 222-2435 or by visiting our website at www.oag.ri.gov.

FINANCIAL HIGHLIGHTS (IN MILLIONS)

	<u>ERS</u>	<u>MERS</u>	<u>SPRBT</u>	<u>JRBT</u>
Net assets available for benefits (at fair value)	\$5,389	\$831	\$24.5	\$15.8
Pension benefits provided to retirees	479	40	0.1	0.1
Employer and member contributions	308	29	3.0	2.3
Net investment income	867	135	3.5	2.3